

**FIRST 5 PLACER
CHILDREN AND FAMILIES COMMISSION
(A Component Unit of the
County of Placer, California)**

AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2005**

**FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION
FOR THE YEAR ENDED JUNE 30, 2005**

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A Professional Corporation

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
First 5 Placer Children and Families Commission
Auburn, California

We have audited the accompanying basic financial statements of First 5 Placer Children and Families Commission (Commission)(A Component Unit of the County of Placer, California), as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Commission as of June 30, 2005, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, the County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures – an Amendment of GASB Statement No. 3*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2005, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
First 5 Placer Children and Families Commission

The Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of First 5 Placer Children and Families Commission, taken as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BARTIG, BASLER & RAY, CPAs, INC.

Bartig, Basler & Ray, CPAs, Inc.

August 23, 2005
Roseville, CA

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2005

On November 3, 1998, California voters approved Proposition 10 – the Children and Families First Act (Act). The Act imposed additional excise tax on cigarettes and tobacco related products to fund programs that promote, support, and improve the early development of children from prenatal through age five. The intent is for all California children to be healthy, to live in a healthy and supportive family environment, and to enter school ready to learn.

The Placer County (County) Board of Supervisors created the First 5 Placer Children and Families Commission (Commission)(A Component Unit of the County of Placer, California) in 1999 under the provisions of the Act. The Commission consists of nine members appointed by the County Board of Supervisors. The Commission is a public entity legally separate and apart from the County, and is considered a component unit of the County due to the operational relationship between the Commission and the County.

As management of the Commission, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2005.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Commission's assets and liabilities, with the difference between the two reported as *net assets*.

The *statement of activities* presents information showing how the Commission's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. earned but unused vacation leave).

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2005

the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and government wide statements.

The Commission adopts an annual appropriated budget for its fund. A budgetary comparison statement has been provided for the fund to demonstrate compliance with the budget.

The fund financial statements can be found on pages 10 and 11 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12 – 16 of this report.

Government-wide Financial Analysis

This is the fourth year that the Commission has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments.

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Commission, assets exceed liabilities by \$8.2 million at the close of the most recent fiscal year. The most significant portion of the Commission's net assets is its cash and investments balance (\$8.6 million). This represents resources received from the State Commission from Proposition 10 taxes that have not been expended. Cash and investments are maintained in the County's cash and investment pool where interest earned on the Commissions balance is apportioned to the Commission. Another source of net assets also resides in the Commissions receivables due from other agencies in the amount of \$596,383. Of these receivables \$553,414 represent taxes that were remitted by the State but had not received by the Commission as of June 30, 2005. The Commission also reports accounts payable of \$1,012,873 representing payments due on grant services contracts that had been expended but not paid before year-end.

The Commission's net assets increased overall by approximately \$654,000 during the 04/05 fiscal year. This increase is explained in the governmental fund analysis below and is primarily a result of revenues in excess of expenditures for the current year.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2005

Governmental Activities

The Commission does not have business type activities and so the analysis presented above for the government wide financial statements also represents an analysis of the Commission's governmental activities.

Financial Analysis of the Commission's Governmental Fund

As noted earlier, the Commission uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

For the year-ended June 30, 2005, the Commission reported an ending fund balance of \$8.2 million, an increase of approximately \$654,000 from the prior year. This increase represents the amount of revenues in excess of expenditures for the year ended June 30, 2005.

The Commission has committed \$73,120 of its fiscal year 2004-2005 ending fund balance for future payments to awarded projects operating beyond June 30, 2005, and approximately \$2.6 million for approved contracts not yet executed for fiscal year 2005-2006 and \$2.1 million for local initiatives and program sustainability for fiscal year 2006-2007. The Commission has also committed \$556K as a matching guarantee for local implementation of the State First 5 Commission initiatives.

First 5 Placer Children and Families Commission Comparison (in thousands)

	<u>FY 2004/05</u>	<u>FY 2003/04</u>
Total revenues	\$ <u>3,504</u>	\$ <u>3,120</u>
Expenditures:		
Other services and supplies	309	268
Professional and specialized services	<u>2,541</u>	<u>2,913</u>
Total expenditures	<u>2,850</u>	<u>3,181</u>

Total revenue (see above) consisting of Proposition 10 funds, interest income, and State Commission matching revenue increased from \$3,120,000 to \$3,504,000 for the year ended June 30, 2005. This increase was due to an unanticipated increase in State Commission tobacco tax collected. Total expenditures decreased to \$2.9 million, a decrease of \$0.3 million from the prior fiscal year. This decrease was due in part to an updated strategic plan including a new funding cycle and a change to the number of contracts awarded.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2005

Fund Budgetary Highlight

Total revenues were over budget by 17% or \$517,992 while total expenditures were under budget by 11% or \$347,769. Administrative expenses are under budget by over 25% or \$104,707, because of the Director's financial management practice of coordinating with partners and other community organizations for in-kind resources. Partners view it as an opportunity to give back to the Commission, by providing or facilitating the in-kind services.

Capital Assets and Debt Administration

Capital Assets

At the end of the current fiscal year, the Commission did not have any capital assets.

Debt Administration

At the end of the current fiscal year, the Commission did not have any long-term obligations outstanding.

Economic Factors and Next Year's Budget

The Commission is committed to focusing Proposition 10 funds on the purposes for which it is intended: To promote and sustain comprehensive, integrated programs and services that will help to nurture children 0-5 so that their young brains and bodies will develop appropriately.

The following economic factors were considered in preparing the Commission's financial plan for fiscal year 2005-2006:

- 7% decline in state Proposition 10 revenues was projected.
- 2.5% interest on the local Children and Families Trust Fund.
- Annual COLA of 4% for the MOU between the Commission and the Department of Health and Human Services for staff support.
- To achieve the 3-year investment strategies outlined on pages 16-18 of the 2006-2007 Strategic Plan, implementation activities have begun and are more than 80% complete as of June 30, 2005.

The Commission views Proposition 10 as a mechanism to establish and fund a sustainable system of results-oriented early childhood development and family support services for the 0-5 population, not as just another funding source for programs. In that regard, in FY 2005-2006 the Commission will focus on evaluating all funded programs to determine what is working or has promise to impact the health and well being of children. This information will be used to help evaluate the overall impact of Proposition 10 in Placer County. The result of these evaluation activities will help to inform the Commission as it plans for its 2005-2006 expenditures.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Management's Discussion and Analysis For the Year Ended June 30, 2005

Requests for Information

This financial report is designed to provide a general overview of the First 5 Placer Children and Families Commission finances for all those interested. Questions concerning, any of the information provided in this report or requests for additional financial information should be addressed to the First 5 Placer Children and Families Commission, 11730 Enterprise Drive, Auburn, California, 95603.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Statement of Net Assets June 30, 2005

ASSETS

Cash in County treasury	\$ 8,596,525
Due from other agencies	596,383
Prepays and other assets	<u>1,010</u>
Total Assets	<u>9,193,918</u>

LIABILITIES

Accounts payable	<u>1,012,873</u>
Total Liabilities	<u>1,012,873</u>

NET ASSETS

Unrestricted	<u>8,181,045</u>
Total Net Assets	<u><u>\$ 8,181,045</u></u>

The accompanying notes are an integral part of these financial statements.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Statement of Activities For the Year Ended June 30, 2005

CHILDREN AND FAMILIES PROGRAM EXPENSES

Professional and specialized services	\$ 2,541,170
Other services and supplies	<u>309,370</u>
Total Program Expenses	<u>2,850,540</u>

PROGRAM REVENUES

Operating grants and contributions:	
Proposition 10 apportionment	3,124,615
Proposition 10 school readiness	145,797
Proposition 10 surplus money investment fund	<u>53,537</u>
Total Program Revenues	<u>3,323,949</u>
Net Program Revenues (Expenses)	473,409

GENERAL REVENUES

Investment income	<u>180,484</u>
Change in Net Assets	653,893
Net Assets, Beginning of Year	<u>7,527,152</u>
Net Assets, End of Year	<u>\$ 8,181,045</u>

The accompanying notes are an integral part of these financial statements.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Balance Sheet - General Fund June 30, 2005

ASSETS

Cash in county treasury	\$ 8,596,525
Due from other agencies	596,383
Prepays and other assets	<u>1,010</u>
Total Assets	<u><u>\$ 9,193,918</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	<u>\$ 1,012,873</u>
Total Liabilities	<u>1,012,873</u>

Fund Balance:

Committed Funds:

Reserved for encumbrances	73,120
Reserved for approved contracts not yet executed	2,572,311
Reserved for First 5 California Initiatives	556,384
Reserved for local initiatives and program sustainability	<u>2,110,787</u>
Total Committed Funds	5,312,602

Uncommitted Funds	<u>2,868,443</u>
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Total Fund Balance	<u>8,181,045</u>
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Total Liabilities and Fund Balance	<u><u>\$ 9,193,918</u></u>
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The accompanying notes are an integral part of these financial statements.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund For the Year Ended June 30, 2005

REVENUES

Proposition 10 apportionment	\$ 3,124,615
Proposition 10 school readiness	145,797
Proposition 10 surplus money investment fund	53,537
Use of money	<u>180,484</u>
Total Revenues	<u>3,504,433</u>

EXPENDITURES

Professional and specialized services	2,541,170
Other services and supplies	<u>309,370</u>
Total Expenditures	<u>2,850,540</u>
Net Change in Fund Balance	653,893
Fund Balance - Beginning of Year	<u>7,527,152</u>
Fund Balance - End of Year	<u><u>\$ 8,181,045</u></u>

The accompanying notes are an integral part of these financial statements.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements For the Year Ended June 30, 2005

Note 1: **Summary of Significant Accounting Policies**

A. Reporting Entity

The First 5 Placer Children and Families Commission (Commission) was established by the Placer County Board of Supervisors in 1999 under the provisions of the California Children and Families Act of 1998 (Act). The Commission is a public entity legally separate and apart from the County. The purpose of the Commission is to develop, adopt, promote and implement early childhood development programs in the County of Placer consistent with the goals and objectives of the Act. The Commission's programs are funded by taxes levied by the State of California on tobacco products. The School Readiness programs engage families, community members, and educators in the important work of preparing children, birth to age five, for elementary school. The CARES (Comprehensive Approaches to Raising Educational Standards) programs, also known as Retention Incentive programs, address the need to retain and increase the education and professional growth level of all licensed early childhood educators.

The Commission is administered by a governing board of nine members, which are appointed by the County Board of Supervisors. No member shall serve more than two consecutive three year terms. The County Board of Supervisors may remove any Commission member at any time. Since the County Board of Supervisors can impose their will on the Commission, the Commission is considered a component unit of the County of Placer.

The Commission includes all activities (operations of its administrative staff and commission officers) considered to be a part of the Commission. The Commission reviewed the criteria developed by the Governmental Accounting Standards Board (GASB) in its issuance of Statement No. 14, relating to the financial reporting entity to determine whether the Commission is financially accountable for other entities. The Commission has determined that no other outside entity meets the above criteria, and therefore, no agency has been included as a component unit in the financial statements.

Upon termination of the Commission, all assets of the Commission shall be returned to the State of California. The liabilities of the Commission shall not become liabilities of the County upon either termination of the Commission or the liquidation or disposition of the Commission's remaining assets.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements For the Year Ended June 30, 2005

Note 1: **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation and Accounting

Government-Wide Statements

The statement of net assets and statement of activities display information about the primary government (Commission). These statements include the financial activities of the overall Commission.

The statement of activities presents a comparison between direct expenses and program revenues for the Commission's governmental activity. Direct expenses are those that are specifically associated with the Commission. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of the Commission. Revenues that are not classified as program revenues, including investment income, are presented instead as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

When both restricted and unrestricted net assets are available, restricted resources are used only after the unrestricted resources are depleted.

Fund Financial Statements

Separate financial statements are provided for the governmental funds. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available to finance expenditures of the current period. Proposition 10 taxes and investment income are accrued when their receipt occurs within ninety days after the end of the accounting period so as to be both measurable and available. All receivables are expected to be collected within the current year. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Nonexchange transactions, in which the Commission gives (or receives) value without directly receiving (or giving) value in exchange, include sales taxes, grants, entitlements and donations. On a modified accrual basis, revenues from sales taxes are recognized when the underlying transactions take place and have met the availability criteria. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements For the Year Ended June 30, 2005

Note 1: **Summary of Significant Accounting Policies** (continued)

B. Basis of Presentation and Accounting (continued)

Fund Financial Statements (continued)

The Commission reports the following major governmental fund:

- The General Fund is the Commission's primary operating fund. It accounts for all financial resources of the general government.

C. Implementation of Governmental Accounting Standards Board Statement

On July 1, 2004, the Commission adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosure – an amendment of GASB Statement No. 3*. The Statement modifies the custodial credit risk disclosures required by Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements* and addresses deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Accordingly, the cash and investments disclosure has been revised to conform to the provisions of GASB Statement No. 40.

D. Due from Other Agencies

These amounts represent receivables from other agencies. As of June 30, 2005, the Commission was due \$553,414 from the State of California and \$42,969 from one of its grantees. Management believes its receivables to be fully collectible, and accordingly, no allowance for doubtful accounts is required.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amount reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

F. Reservations of Fund Balance

Reservations of fund balance are used to indicate that a portion of reported fund balance is (1) legally restricted to a specific use or (2) not available for appropriation or expenditure.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements For the Year Ended June 30, 2005

Note 1: **Summary of Significant Accounting Policies** (continued)

F. **Reservations of Fund Balance** (continued)

The Commission has reserved fund balances as follows:

Reserve for Encumbrances – A reserve is set aside for certain contractual obligations that the Commission has with its subrecipients in the operation of programmatic activities. These obligations in the current year do not constitute expenditures or liabilities, but once the subrecipient fulfills certain eligibility requirements, will represent expenditures or liabilities.

Reserve for Approved Contracts Not Yet Executed – A reserve set-aside whereby the Commission has explicitly authorized and directed staff to enter into an agreement with a specified agency, but the contract has not actually been executed.

Reserve for First 5 California Initiatives – A reserve set-aside by the Commission to guarantee a matching investment to the First 5 California Commission.

Reserved for Local Initiatives and Program Sustainability consists of funds that have been reserved for one of the following two purposes:

1. Funds to operate a specific program or project in the current or future fiscal years that have not yet been encumbered or authorized for definite contracts.
2. Funds that have been set aside for long-term program sustainability.

Note 2: **Cash and Investments**

The Commission maintains all of its cash and investments with the Placer County Treasurer in an investment pool. On a monthly basis the Treasurer allocates interest to participants based upon their average daily balances. The Placer County Treasury Oversight Committee oversees the Treasurer's investments and policies. Investments held in the County's investment pool are available on demand and are stated at cost plus accrued interest, which approximates fair value.

GASB Statement No. 40 requires additional disclosures about a government's deposits and investments risks that include credit risk, custodial risk, concentration risk and interest rate risk. The Commission has no deposit or investment policy that addresses a specific type of risk.

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Notes to the Basic Financial Statements For the Year Ended June 30, 2005

Note 2: **Cash and Investments** (continued)

Required disclosures for the Commission's deposit and investment risks at June 30, 2005, were as follows:

Credit risk	Not rated
Custodial risk	N/A
Concentration of credit risk	N/A
Interest rate risk	274 days

Required disclosure information regarding categorization of investments and other deposit and investment risk disclosures can be found in the County's financial statements. The County of Placer's financial statements may be obtained by contacting the Placer County Auditor-Controller's Office at 2970 Richardson Drive, Dewitt Center, Auburn, CA 95603.

Note 3: **Related Party Transactions**

During the fiscal year ended June 30, 2005, the Commission paid the County of Placer, a related party, \$259,208 for accounting, legal and administrative services.

Note 4: **Risk Management**

The Commission is exposed to various risks of loss related to general liability. Insurance for the Commission is secured through commercial lines for general liability. The Commission also has public officials' errors and omissions coverage.

Note 5: **Section 30131.4 of the California Tax & Revenue Code Certification**

The Commission has certified that the supplant requirements stated in Section 30131.4 of the California Tax & Revenue Code has been met.

Note 6: **Contingent Liabilities**

The Commission receives funding from the State of California Proposition 10, the Children and Families First Act, to fund programs that promote, support, and improve the early development of children from prenatal through age five. These programs must be in compliance with applicable laws and may be subject to financial and compliance audits by the State. The amount, if any, of expenditures which may be disallowed by the State cannot be determined at this time, although the County's management does not expect such amounts, if any, to be material.

REQUIRED SUPPLEMENTARY INFORMATION

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual

General Fund

For the Year Ended June 30, 2005

	Original Budget	Final Budget	Actual Amount	Variance with Final Budget Positive (Negative)
<u>REVENUES</u>				
Proposition 10 apportionment	\$ 2,826,441	\$ 2,826,441	\$ 3,124,615	\$ 298,174
Proposition 10 school readiness	--	--	145,797	145,797
Proposition 10 surplus money investment fund	--	--	53,537	53,537
Use of money	<u>160,000</u>	<u>160,000</u>	<u>180,484</u>	<u>20,484</u>
Total Revenues	<u>2,986,441</u>	<u>2,986,441</u>	<u>3,504,433</u>	<u>517,992</u>
<u>EXPENDITURES</u>				
Professional and specialized services	2,467,813	2,784,232	2,541,170	243,062
Other services and supplies	<u>414,077</u>	<u>414,077</u>	<u>309,370</u>	<u>104,707</u>
Total Expenditures	<u>2,881,890</u>	<u>3,198,309</u>	<u>2,850,540</u>	<u>347,769</u>
Net Change in Fund Balance	<u>\$ 104,551</u>	<u>\$ (211,868)</u>	653,893	<u>\$ 865,761</u>
Fund Balance - Beginning of Year			<u>7,527,152</u>	
Fund Balance - End of Year			<u>\$ 8,181,045</u>	

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Note to the Required Supplementary Information
For the Year Ended June 30, 2005

BUDGET AND BUDGETARY REPORTING

The Commission is required to prepare a budget each year based on estimates of revenues and expected expenditures. The budget is adopted on a basis consistent with generally accepted accounting principles. The legal level of budgetary control is exercised at the budget unit (departmental) level. Management can make adjustments of appropriations, at their discretion, within or between objects within the same budget unit. All changes to the budget during the year are reflected in these financial statements and require the approval of the governing board. All unencumbered annual appropriations lapse at the end of each fiscal year.

SUPPLEMENTARY INFORMATION

FIRST 5 PLACER CHILDREN AND FAMILIES COMMISSION

Schedule of Expenditures by Fund Source and Net Assets of CCFC Funds for First 5 Programs For the Year Ended June 30, 2005

	<u>School Readiness Program</u>		<u>CARES</u>	
	<u>CCFC Program Funds</u>	<u>County and Other Local Funds</u>	<u>CCFC Program Funds</u>	<u>County Commission Funds</u>
<u>REVENUES</u>				
CCFC funds	145,797		--	
Total Revenues	<u>145,797</u>		<u>--</u>	
<u>EXPENDITURES</u>				
Program expenditures	<u>145,797</u>	<u>150,000</u>	<u>101,895</u>	<u>203,791</u>
Total Expenditures	<u>145,797</u>	<u>150,000</u>	<u>101,895</u>	<u>203,791</u>
Change in Net Assets	--		(101,895)	
Net Assets - Beginning of Year	<u>--</u>		<u>198,334</u>	
Net Assets - End of Year	<u>\$ --</u>		<u>\$ 96,439</u>	

OTHER REPORT

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND THE CALIFORNIA
CHILDREN AND FAMILIES FIRST ACT OF 1998**

Board of Directors
First 5 Placer Children and Families Commission
Auburn, California

We have audited the financial statements of the First 5 Placer Children and Families Commission as of and for the year ended June 30, 2005, and have issued our report thereon dated August 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the First 5 Placer Children and Families Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the First 5 Placer Children and Families Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* and the California Children and Families First Act of 1998.

Board of Directors
First 5 Placer Children and Families Commission

This report is intended for the information of the Board of Commissioners and the management of the Commission and is not intended to be and should not be used by anyone other than these specified parties.

BARTIG, BASLER & RAY, CPAs, INC.

Bartig, Basler & Ray, CPAs, Inc.

August 23, 2005
Roseville, CA